

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 COME-00 AGR-05 CIAE-00

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COMMERCE:HBASHKIN

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS PRIORITY

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: VENEZUELAN SUPPORT FOR CENTRAL AMERICAN
RETENTION SC;EME

REF: CARACAS 12026

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GUATEMALA ALSO FOR ROCAP

1. AT NOVEMBER 15-17 MEETING IN CARACAS, MAJOR LATIN AMERICAN COFFEE PRODUCERS AGREED TO SUPPORT THE RETENTION SCHEME PROPOSED BY THE COFFEE PRODUCER'S GROUP IN LONDON. SOME CENTRAL AMERICAN PRODUCERS PLUS MEXICO ALSO AGREED TO FORM A NEW COMPANY "CAFE SUAVES CENTRALES, S.A. DE C.V." TO IMPLEMENT AND COORDINATE NATIONAL RETENTION SCHEMES. VENEZUELA REPORTEDLY OFFERED TO MAKE AVAILABLE FINANCING "TO THOSE COUNTRIES WHOSE APPROPRIATE BODIES OR AUTHORITIES HAVE COMMITTED THEMSELVES TO SIGN THE CHARTER OF THE MENTIONED COMPANY". FINAL ACTION ON THE VENEZUELAN OFFER IS EXPECTED AT THE DECEMBER 13-14 MEETING IN VENEZUELA OF THE CHIEFS OF STATE OF THE CENTRAL AMERICAN COUNTRIES, PANAMA AND VENEZUELA.

2. FROM COFFEE TRADE SOURCES, THE DEPARTMENT HAS OBTAINED A DOCUMENT WHICH PURPORTS TO SUMMARIZE THE TERMS OF THE VENEZUELAN FINANCING OFFER. IT MAKES THE FOLLOWING POINTS:

-- A. QUANTITY: UP TO 80 MILLION DOLLARS, THE AMOUNT TO BE BASED ON 50 PERCENT OF THE VALUE OF COFFEES RETAINED FOR COFFEE YEARS 1973/74 AND 1974/75, EQUALLING APPROXIMATELY 2.25 MILLION BAGS.

-- B. DISBURSEMENT: WILL BE MADE AS RESOURCES ARE REQUIRED BY THE COUNTRIES AND IN ACCORD WITH NATIONAL PROGRAMS. IN ANY CASE, THE DISBURSEMENT PERIOD SHOULD NOT RUN BEYOND APRIL 30, 1975

-- C. REPAYMENT: FROM APRIL 1, 1975 TO MARCH 31, 1976.

-- D. GUARANTEES: CERTIFICATES OF DEPOSITS AND GUARANTEES OF THE RESPECTIVE CENTRAL BANKS WHICH WILL INCLUDE A GUARANTEE OF CONVERTIBILITY AND FREE TRANSFER.

-- E. INTEREST RATE: VARIABLE, NOT TO EXCEED 10 PERCENT.

-- F. CURRENCY: U.S. DOLLARS FOR BOTH DISBURSEMENT AND LIMITED OFFICIAL USE

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REPAYMENT.

3. IF THE FOREGOING SUMMARY IS CORRECT, THE LEVEL OF VENEZUELAN SUPPORT FOR CENTRAL AMERICAN RETENTION IS LOWER THAN ANTICIPATED. CENTRAL AMERICAN COUNTRIES, WHETHER THROUGH THEIR GOVERNMENTS, EXPORTERS' CO-OPS OR GROWERS WILL HAVE TO SHARE A SIGNIFICANT PORTION OF THE FINANCIAL BURDEN. THIS IS WHERE EARLIER ATTEMPTS TO IM-

PLEMENT RETENTION SCHEMES IN CENTRAL AMERICA HAVE BROKEN
DOWN.

4. DEPARTMENT WOULD APPRECIATE ANY DETAILS POSTS CAN PRO-
VIDE ON DECISIONS AFFECTING COFFEE RETENTION AND ANY EVI-
DENCE TENDING TO CONFIRM OR ELABORATE ON THE REPORT
REGARDING TERMS OF THE VENEZUELAN FINANCING. INGERSOLL

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